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Peru

Asparagus

Annual

2004

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Report Highlights:

Asparagus production is expected to reach 190,000 MT in CY 2004, increasing 1.5 percent compared to the previous year. With exports of \$206 million, asparagus became the lead agricultural export in CY 2003.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Lima [PE1]
[PE]

Executive Summary

Asparagus production in Peru is expected to reach 190,000 Metric Tons in CY 2004, increasing about 1.5 percent compared to the previous year. Asparagus became the largest Peruvian agricultural export in 2003, moving the historical largest export, coffee, to a second place. Asparagus exports contributed a record of about \$206 million in export sales in CY 2003. Exports of processed asparagus reached 50,821 MT in 2002 while fresh exports were 67,089 MT, mostly to the U.S. According to the industry, international demand for asparagus has reached a mature point, and its growth in the near future will not be as sharp as it was in the 1990s.

This crop grows in the irrigated coastal valleys of Peru. There are two well-defined production areas. La Libertad, in the northern region of Peru, produces white asparagus, which is processed (canned or jarred) and exported to Europe. Ica, 300 kilometers south from Lima, produces green asparagus mainly for fresh export to the United States market. Arequipa, a thousand kilometers south of Lima, is also starting to develop production of this crop.

PSD Table							
Country	Peru						
Commodity	Asparagus, Fresh				(HA)(MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY Y
Area Planted	19000	19800	19000	20000	0	20000	(HA)
Area Harvested	17000	18198	17000	18200	0	18300	(HA)
TOTAL Production	185000	187221	185000	190000	0	192000	(MT)
Imports, Fresh	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	185000	187221	185000	190000	0	192000	(MT)
Exports, Fresh	60700	67089	65000	70200	0	72000	(MT)
Domestic Fresh Market	6000	6000	6000	6000	0	6000	(MT)
For Processing	118300	114132	114000	113800	0	114000	(MT)
TOTAL UTILIZATION	185000	187221	185000	190000	0	192000	(MT)

Export Trade Matrix	
Country	Peru
Commodity	Asparagus, Fresh
Time Period	CY 2003
Exports for:	
U.S.	53128
Others	
Spain	5312
Netherlands	4266
UK	2764
Total for Others	12342
Others not Listed	1619
Grand Total	67089

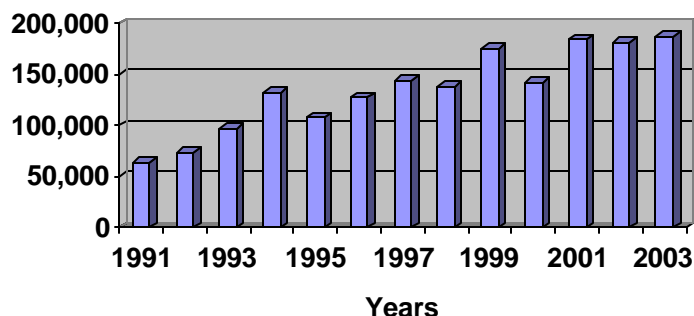
Units: Metric Tons

Production

Asparagus production in Peru is expected to increase around 2,800 MT to 190,000 MT in 2004. In 2003 production increased 3.4 percent to 187,221 MT, recovering from a slight fall in the previous year. According to the industry, international demand for asparagus has reached a mature point, and its growth in the near future will not be as sharp as it was in the 1990s. Post forecasts asparagus production at 192,000 MT in 2005.

Peru is one of the few countries where high quality asparagus is produced year round, due to warm, favorable weather in which the asparagus plant does not enter a dormant stage. Peru produces asparagus for two different markets: green asparagus for the United States, and white asparagus for the European market. Green asparagus, which is about 40 percent of total production, is sent fresh to the U.S. packed in 5 kilogram boxes, while white asparagus is processed then exported in cans or jars to Europe.

Asparagus Production (MT)



Agriculture along Peru's coast, has been, and still is, changing. Though the new Land Law has not been implemented yet, the current land tenure is allowing land consolidation, which in turn attracts investment. Though capital flow has been limited recently due to political unrest, fresh capital in the agricultural sector is looking to invest in an exportable product, and asparagus is a profitable crop with a fairly stable foreign demand.

In an effort to increase production, some asparagus growers, especially in the northern areas, have been planting at a very high density. As a result they are harvesting more per hectare, but the asparagus come out thinner without the proper quality for the market. The processing plants reject a large proportion of this asparagus because it does not meet export quality standards, and as a result the processing plants are finding it increasingly difficult to buy sufficient good-quality asparagus.

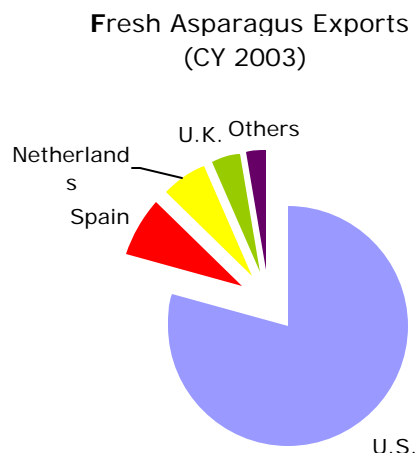
Crop Area and Yields

Production area is estimated to be 20,000 hectares in 2004, increasing about 1,000 hectares from the previous year. Harvested area is expected to have a slight increase to 18,200 hectares. Even though production and capital credits are unavailable or expensive, especially for the medium size and small producer, and production costs are rising, asparagus is still a profitable crop. Farmers in the coastal valleys of Peru are attracted to asparagus more than any other crop, because of the possibilities in the international market.

Average yields are around 6 tons per hectare, but can reach as high as 18 tons per hectare among some of the most efficient producers. Asparagus producers in the Ica region (south of Lima) are usually more efficient. Because surface water only flows from November to March, most producers have wells and drip irrigation systems, which make water available but expensive, due to the high local cost of fuel. Green asparagus production requires more water than white asparagus.

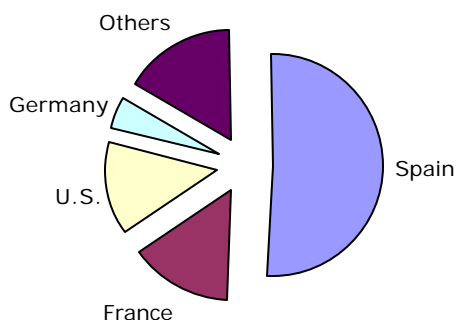
Trade

Processed asparagus exports reached 50,821 MT in 2003, and are expected to increase around five percent in 2004. Fresh asparagus exports were 67,089 MT in 2003. With total exports at around \$206 million per year, asparagus became Peru's lead agricultural export in 2003, surpassing coffee for the first time. The U.S. continues to be the largest market for Peruvian fresh asparagus, accounting for 79 percent of the market in 2003. With 47 percent of processed asparagus exports in 2003, Spain continues to be Peru's most important customer in this market, followed by France, the U.S., and Germany.



Most Peruvian exporters agree that the world asparagus market has reached a mature level. Since asparagus supply in the U.S. has increased faster than demand, Peruvian exporters have seen a sharp reduction in prices. Ten years ago a 5-kilogram box of fresh asparagus sold for \$50 and now it can fall as low as \$9 a box, when the California harvesting season begins. Usually Peruvian producers start sending their crop to the market between mid June and September at prices ranging from \$14 to \$16. Some producer even try to hold their crop for Thanksgiving or Christmas when prices reach their highest.

Processed Asparagus Exports (2003)



Chinese asparagus exports are a major source of worries for Peruvian asparagus producers. Ninety percent of Peruvian agricultural exports, including asparagus, enter duty free to the European Community. Despite the 16 percent import duty assessed to Chinese asparagus, it still is cheaper than Peruvian. Though China only affects the processed asparagus market, it has reduced asparagus prices in Europe sharply in the last two years.

Another difficulty that Peruvian exporters have to face is expensive freight. Historically air freight cost from Lima to Miami has been around \$0.85 per kilogram, current cost is \$1.25

per kilogram. The main reason for this increase is the lack of merchandise for the come-back freight. Currently, freight is up to 40 percent of the total cost of the landed price in the U.S.

In February 2002, APHIS declared that all fresh Peruvian asparagus needed to be fumigated against copitarsia. At the Peruvian producers' request, APHIS has approved a pre-clearance program which will be implemented as soon as the Peruvian producers finish evaluating alternative methods for fumigation.

Policy

The GOP does not have an official policy to encourage asparagus production. Most of the GOP's effort is on the marketing side through "Prompex" (the export promotion committee). This rather new organization has been active and has had some success promoting agricultural exports. Prompex activities include a commercial mission to the Produce Marketing Association (PMA) annually in the U.S. Producers have been satisfied with the outcome of this activity and have been able to contact new potential customers, especially supermarket chains.

Asparagus exporters have implemented a check-off system to financed marketing programs which include consumption promotion, phytosanitary protection, quality control certification and an information system to supply producers with the latest developments on worldwide and national production and prices. All these activities are carried out by the Peruvian Asparagus and Horticulture Institute (IPEH), which was established in 1998, in an effort to increase their marketing activity as well as improve relations with the government. IPEH was very active in the negotiations to sign the extended ATPA (ATPDEA) and is now being very proactive in seeking a favorable outcome of the U.S-Peru Free Trade Agreement negotiations.

Peruvian asparagus producers are very concern about the U.S. bioterrorism legislation and the possible negative effect on their business with the U.S. So far, they have not had major problems, but they are still concern about administrative detention, because they claim that the criteria for detention are not clearly specified.